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## Highlight

### Vietnam enjoys surprise trade surplus

VN's trade balance reached a US\$100m surplus for Oct, according to General Department of Customs, defying previous forecasts of a \$200m trade deficit. Marked improvement helped narrow total 2013 trade deficit to \$145.5m.

The country's total import-export turnover in the first 10 months of the year hit \$108.72b, a rise of 16% on 2012.

Statistics from the Customs department showed VN's export turnover last month hit \$12.61b, surging 12.8% on Sept, while import turnover was \$12.51b, an 11% increase. Total import-export turnover reached \$25.12b, which was also a 12% leap from Sept.

The department said the return of a trade balance surplus was due to a surge in exports of key items in the 2<sup>nd</sup> half of last month, including mobile phones (up \$295m), crude oil (\$216.6m), shoes (\$174.12m), aquatic products (\$145.2m), computers and spare parts (\$116.1m) and garments (\$104m). However, exports of steel and rubber fell during the final 2 weeks of Oct.

VN's import staples, including machinery and equipment, spare parts and crude

oil – were up 16% against the same period last year.

The spike was due to increases across a range of products, machinery and equipment (\$152m), fabric (\$150m), steel (\$92.4m) and crude oil (\$91m).

Imports of mobile phones, spare parts and cattle-feed decreased in the 2<sup>nd</sup> half of last month.

The department said FDI enterprises continued to be a driving force in import-export activity, as the sector recorded export revenues of \$66.71b for 2013 so far, surging 28.3% year-on-year and accounting for 61% of the country's total export value.

FDI brought \$61.94b in import revenues in the 10-month period, up 25.6% from last year and accounting for 56.9% of the total import value.

*Source: Vietnam News*

### Promoting Public - Private Partnership (PPP)

*Japanese investors have an increasing number of business projects in VN. In order to share experience, the Procurement Management Department (PMD) under the Ministry of Planning and Investment (MPI) recently hosted a conference named "Sharing JP's experiences in PPP investment." The*

*event is an opportunity for both sides to review & make new recommendations for PPP's highest efficiency.*

In fact, PPP programs in VN have achieved very good results. Mr Le Van Tang, Director of PMD, said, guided by

#### **9 PPP investment fields (draft)**

1. Roads, road bridges, tunnels, ferries, urban transport infrastructure;
2. Railways, railway bridges, railway tunnels, railway stations;
3. Airports, seaports, river ports, logistics ports, inland ports;
4. Clean water supply systems and water drainage systems;
5. Power plants, electric transmission lines, energy production facilities;
6. Infrastructure for education, training, sports and cultural works; State working offices;
7. IT, communications, economics, telecommunications infrastructure; industrial zone infrastructure; agricultural production infrastructure; commercial centres; markets; warehouses, cargo storage facilities;
8. Social housing, parks, playgrounds, public recreation facilities, cemeteries;
9. Other projects decided by PM.

Prime Minister (PM), MPI was assigned to coordinate with relevant domestic organs and int'l organisations to compile the Decree on PPP Investment on the basis of merging Decree 108/2009/ND-CP and Decision 71/2010/QD-TTg and issue the Regulations on Pilot PPP Investment. Besides, MPI has worked with relevant ministries and localities to prepare PPP projects to submit to PM to add to the list of PPP projects to prepare counterpart budgets for period 2014 - 2015 and 2016 - 2020.

Mr Chong Teck Wei, Vice President of the Bank of Tokyo-Mitsubishi UFJ, said most PPP projects are related to infrastructure and they usually require huge capital in the long run. Therefore, the official capital from int'l contractors and government is not enough; thus, the financial contribution from private sector is needed. In addition to sharing financial burdens, the participation of many investors will also help share unwanted risks and contribute experiences to PPP projects. Moreover, financing plan is the way to resolve difficulties of this type of project. Projects can raise non-recourse loans or recourse-limited loans from investors. Furthermore, this can be tailored to meet particular requirements & special characteristics of specific PPP project.

In the perspective of State management, Ms Vu Quynh Le, Director of PPP Office and Deputy Director of PMD, said that applying PPP model to improve the investment quality of public services is the way VN Government currently chooses to go. However, to bring this to life and generate benefits as desired, we must have suitable approaches and higher currency value than traditional forms.

Using huge amount of capital in a long term, projects may face regrettable risks. The effort of main contractors and subcontractors are not enough to deal with these difficulties but Government's assistance is needed. So, according to experts, such measures as support, investment policy and legal framework for PPP investment need to be completed by VN Government soon.

*Source: Vietnam News*

### **M&A in real estate getting heated**

Real estate market has been largely stagnant. While many real estate companies are looking for ways to get out, other large ones want to join.

#### **Large contracts**

According to real estate market experts, to the end of 2013, the market will receive a large number of new investors.

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Since the beginning, real estate market has seen many large M&A contracts, for example VN Infrastructure & Property Development Group Corp (VIPD) purchased Vincom Centre A (Vingroup) at nearly US\$470m; the Malaysia-based Perdanna ParkCity bought Vinaconex - Hoang Thanh's capital contribution to entirely possess Hanoi Park City project; FLC Group spent nearly VND300b acquiring Alaska project of the Alaska Land; Coma 18 sold VP6 Linh Dam to Lai Chau Construction Corp. 1.

The largest M&A deal must be Vincom Centre A that Vingroup assigned to VIPD. This deal has brought Vingroup an after tax profit of VND4.3 trillion. Vingroup also has an agreement with Warburg Pincus investment fund, to sell 20% of Vincom Retail (\$200m).

Besides, there are many M&A deals with investors from Singapore and the Republic of Korea, for example Lotte Hotels & Resorts Group purchased 70%

of Legend Hotel (HCMC) from VN Opportunity Fund of VinaCapital with a \$62.5m agreement; Mapple Tree spent \$53m purchasing the office building of CentrePoint (HCMC); a Korean company also signed a memorandum to purchase the office building of Gemadep (HCMC).

These transactions immensely influence the real estate market, as well as create a huge pressure on project owners without large capital capacity.

#### **Year-end pressure**

In the context of larger capital pressure & low market liquidity, there's a chance for capable investors to purchase potential projects at bargain prices. Then, many real estate experts estimated that from date to year end, M&A activities will be very effervescent, esp in project assignment. Many foreign investors, esp from JP, South Korea, Singapore & China are searching for opportunities to purchase offices for rent, commercial centre.

Stoxplus judged that in 2014, supply and demand in real estate market is still large. Foreign investors are still interested in the retail sector. Projects with good locations, transparent documents and competitive prices will be their targets.

*Source: Vietnam News*

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## **Economy**

### **New trend in Vietnam: domestic products bear foreign brands**

It is a growing trend that Vietnamese enterprises order foreign companies to make products and then import the products as the exclusive distributors on the domestic market.

Housewives may think that Dr. Kool, Dr. Clean or Queenie products imported from South Korea, Malaysia and Singapore bear foreign brands. However, in fact, all the brands belong to a Vietnamese enterprise – Sao Nam Trade, Production and Service JSC.

According to Pham Cong Sinh, Director of Sao Nam, the company orders foreign enterprises to make products in accordance with his designs and quality, then imports the products as the exclusive distributor. In this case the products bear manufacturers' brands with sub-labels in Vietnamese.

Similarly, plant protection chemicals have also been outsourced to foreign enterprises.

Vu Vinh Phu, Chair of Hanoi Supermarket, noted that products are not competitive in prices compared to domestic products. Foreign enterprises use modern technologies and have high

productivity, then save production costs. But they have to pay higher for labor and transportation cost and import tax. Yet, they're still good selling as Vietnamese prefer foreign products.

Obviously, Vietnamese enterprises have pocketed big profits. In return, domestic production has been in danger.

"More and more foreign products would flow to VN after winning VN consumers' hearts. If so, consumers wouldn't buy domestic products anymore, the State couldn't collect tax, and labor force would become redundant. Domestic capital would flow abroad instead of staying in VN to encourage the local production" Phu warned.

Dr. Hoang Tho Xuan from the Trade Institute, , noted that the outsourcing to foreign enterprises and import of products for domestic consumption will not help develop the national economy. It would not benefit consumers as well, because they have to buy products at higher prices than actually.

Thu from agriculture ministry fears that it would be difficult for state management agencies to control the imports and grant quality certificates. In principle, Vietnamese management agencies don't examine the quality of the imports, while it's unclear if the foreign made

products can satisfy the quality set by the outsourcers.

Phu, though affirming that the business is not illegal, has called on policy makers to build up the legal framework to control the new business.

*Source: Vietnamnet*

### **Agro insurance suffers Vietnam growing pains**

3 years since VN started to introduce agro-insurance policies, bottleneck still remained and there was plenty of work to protect farmers from natural disasters.

The assessment was made by Dang Kim Son, Director of the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARDS), an affiliate of Ministry of Agriculture and Rural Development (MARD).

"Agriculture's considered a mainstay of the national economy during difficult times, yet it has faced numerous risks due to natural disasters including floods, droughts and epidemics. Agro-insurance is a shield to protect and support farmers to overcome difficulties in agricultural production. One of the most effective measures would be to promote PPP model in agro-insurance," Son said.

Son was full of praise for Government's efforts to limit the damage caused by

Typhoon Haiyan last week. Due to geographical location, VN was one of the countries hit hardest by more & more frequent powerful storm caused by change. That's what need to do now is to help farmers keep developing agricultural production while improving product competitiveness.

As a result, agro-insurance can play an important role in helping farmers to overcome difficulties after natural disasters and epidemics.

Tran Dieu Hang, Insurance Supervision Authority Department, said the pilot project had been implemented in 20 provinces and cities. Government had offered to pay 100% of the premium for poor households; 90% for near poor ones and 60% for others. "In Aug 2013, nearly 317,000 households were participating in the insurance scheme, and the total premium revenue had reached \$16b."

She conceded that over the past 3 years, the project faced many difficulties for a variety of reasons.

To start with, agro-insurance was a totally new concept that was being rolled out on a large scale across 20 provinces and cities nationwide. In addition, insurance companies had struggled to provide services or carry out risk assessments.

"In 2012, the domestic aquaculture industry was hit hard. As a result, insurance companies suffered substantial losses and were unable to sign reinsurance contracts in 2013. To cope with this, MOF and MARD agreed to increase premiums and negotiate with companies so that they accepted reinsurance at 82.93% liability to continue pilot program," Hang revealed.

Tran Cong Thang, Director of Strategy & Policy Research Division of IPSARD, said a certain amount of success had been recorded in the pilot project. This should encourage farmers to participate in future agro-insurance schemes.

Yet, difficulties remained, esp the slow issuance of documents to implement PM's Decision 315. "The project was meant to run for 3 years but we delayed 18 months, our implementation time was cut by half," Thang said.

He lamented the complicated claim procedures, esp the certification for production practices, aquacultural practices & sampling disease detection.

"In some cases, it took shrimp farmers in southern Bac Lieu Province 10 months to receive compensation," Thang cited.

From Thang's point of view, another factor that hindered the development of agro-insurance in VN was the loose

alliance between the State, insurance companies and farmers.

He agreed that now in VN, PPP had achieved some success in commodities such as in coffee, tea, vegetables, maize, soybean and financial groups. It could be a good model for the agro-insurance industry too.

Gonzalo Airiz Gervas, Public Agricultural Insurance entity in Spain, shared his country's experiences in the field. He said that for PPP model to work, Gov't had to make sure of transparency in public management. In the context of climate change, PPP model would help to alleviate Gov't's burden from damage caused by natural disasters. In their annual budget, Government should set aside a certain sum for agro-insurance.

Meanwhile, private enterprises involved in agro-insurance also play an important role by using their expertise. But farmers' participation was the most important thing because they're key players.

Alberto Garrido, Research Centre for Management of Agricultural and Environmental Risks at Technical University of Madrid, said PPP model was an effective option to make agro-insurance success. Based on int'l experience, Garrido listed basic requirements for VN to start PPP model,

including adequate market regulations, balanced institutional framework; accurate statistics on PPP; solid actuarial techniques; a large pool of potentially interested farmers and starting off with simple insurance policies.

*Source: Vietnam News*

### **VN businesses haven't readied for AEC**

#### **Businesses still vague about AEC**

AEC is expected to be a vast market with 600m consumers and \$2.2tri GDP. But Vietnamese people and businesses' awareness about AEC remains limited. Recently, ASEAN Network Forum's report showed, 20% of ASEAN businesses know how to prepare for AEC.

Thailand SMEs begun receiving Gov't's support to prepare for joining AEC. Thai trade ministry has announced its plan to boost SMEs' exports to ASEAN markets and help solve difficulties when Thai do business in neighboring countries.

Indonesian Gov't has stepped up its communication campaign to explain AEC's benefits and opportunities towards enterprises.

In VN, only big enterprises, which have been exporting or running investment projects in ASEAN countries, understand ASEAN market well. Meanwhile, SMEs still don't have any knowledge about it.



## Big challenges

Sunhouse, a household manufacturer, planned to export to ASEAN market 3 years ago. Now its products have been present only in 3 markets – Laos, Cambodia, Myanmar. Export volume is modest, just 5-10% of local consumption. According to Nguyen Xuan Phu, President of Sunhouse, VN goods don't have strong brands. What we need to do now is to prove that our products's high quality & competitive prices.

The sugar industry is believed to suffer heavily from the market opening. VN Sugar and Sugar Cane Association said that in Aug 2013, companies still had 288,000 unsold tons of sugar. Despite 5% import tax, Thai products're VND3,000 per kilo lower than VN products. If import tariff is cut to 0% by 2015 as committed for AEC, Thai sugar'd flood VN market.

VN has been recognized as one of the 4 members which have best fulfilled the commitments when joining AEC. To date, VN has cut import tariffs on 10,000 categories of tax to 0-5%, or 98% of total tax categories within ATIGA (ASEAN Trade In Goods Agreement).

*Source: Vietnamnet*

## Bank & Finance

### SBV pushes on with bank restructuring

The Governor of SBV, Nguyen Van Binh, has reported on the restructuring process for weak banks in VN.

SBV has approved the restructuring plans of 11/25 commercial banks. Aside from the previous 9 weak banks, SBV said they have discovered 2 more banks and 6 weak credit institutions.

According to Binh, 8/9 weak banks have completed the first stage of the restructuring process. Meanwhile, one foreign bank that wants to buy controlling share in a weak bank, is waiting for directives from PM in order to carry out the purchase.

It's said that the weak bank could be GP Bank as United Oversea Bank expressed its desire to buy GP Bank's stakes in Sept. Binh said they would create favourable conditions to encourage foreign credit institutions to buy or contribute capital to help Vietnamese banks go through the restructuring process, especially weak banks. They proposed a set of regulations addressing this issue which state that foreign credit institutions can own over 20% of the charter capital of a domestic.

SBV has directed the restructuring process of joint venture banks and cooperation in the banking sector between VN and other countries. SBV also reported to PM and asked for instructions on how to deal with two joint venture banks, Viet Thai and VID Public. These 2 banks did not insure their regulated charter capital.

Binh further said the restructuring process was mandatory for weak banks in 2012, but it is voluntary this year. Despite the difficulties, the credit institutions still managed to improve their finances. In the first months of 2013, assets of the whole system jumped by 5.67% compared to same period last year.

Source: Vietnam Investment Review

### **Low-cost capital plentiful, but borrowers keep glacial**

#### **Adventure to look for more borrowers ...**

The banks' doors have never opened so widely to businesses. A banker said that not only profitable businesses but the ones with "bad profiles" can also access bank loans at low interest rates.

VietinBank's senior executive said they've been trying various method to help restructure debts, while keep pumping more capital to help businesses recover from the difficulties.

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Nguyen Thi Ngoc Van, Deputy General Director of DongA Bank, said the bank now offered loans at the low interest rates of 8-10% per annum.

SBV has recently released Dispatch No. 7558, paving the way for commercial banks to take risks to push up lending. The dispatch says the businesses with bad debts also can borrow new loans, if they have new feasible production or business projects.

#### **... the lending still goes at a snail's pace**

Some months ago, businesses blamed that they couldn't access bank loans because of high interest rates. However, this proves to be not the main reason. In fact, with no feasible business projects, they don't have demand for loans.

Van from Dong A Bank also said though the bank made every effort (allowing debt payment delay, offering new loans to businesses which can't pay old debts), businesses still keep indifferent.

VietinBank, though launching low-cost capital packages, still complained about the redundant capital. Its Q1 report showed the minus credit growth rate while it initially planned 15-17% credit growth rate for 2013.

Source: Vietnamnet

## Enterprise

### VP Bank wins The Best Service Quality Award 2013



VN Prosperity Bank (VPBank) was awarded Bank with best service quality 2013 by VN Economic Times in HCMC. This is VPBank's 2<sup>nd</sup> consecutive time.

The product and service quality rating program is annually organised by Trust and Use Magazine, VN Economic Times, based on survey results and comments from readers. The rating and awarding was based on comments from readers, basing on 3 criteria: quality; after-sales service; and future choice and plan.

After more than 20 years of operation, VPBank has affirmed its position and creditability. At present, the lender's owner's equity is over VND7 trillion and its assets valued at over VND113 trillion, making VPBank one of the largest joint stock banks in VN. VPBank has over 200 business units in 33 provinces and cities.

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In 2013, VPBank has achieved remarkable awards as follows: VN Most Creative Retail Bank 2013, Typical Brand Award; Trusted Brand Award.

Source: VCCI

### Social enterprises need legal status

Luu Minh Duc of Central Institute for Economic Management said the country had yet to form a legal framework for social enterprises. Many social enterprises haven't officially been recognised and restructured from old non-governmental organisations.

VN has 300 social enterprises, many of which operate in difficulties. About 50 ones are established every year. Without sufficient State support, most of them cannot exist on their own profits.

There is no overarching definition of social enterprises, and many of them vary from one locality to another, with different perspectives. They're generally defined as enterprises that pursue the objectives of social development and environmental protection.

They have different legal forms, depending on countries, such as NGOs, charity organisations, co-operatives, private firms.

Many social enterprises lack specific business strategies and plans, according

to a research by British Council. Many of these enterprises don't have preferential incentives like corporate income taxes, export duties, credit support and infrastructure support

Speaking at the forum, Nguyen Dinh Cung, Central Institute for Economic Management, said Law on Enterprises should include a provision recognizing social enterprises' legal status. Social enterprises should be allowed to receive funds from stakeholders for social purposes and have tax incentives regarding tax and land.

The law should also stipulate their obligations such maintaining their principles and goals during operation. In addition, they must not use funds from others for other purposes, except for cost for community service activities.

Other speakers at the event said that there should be a clear distinction between charitable organisations and social enterprises to prevent abuse of charitable activities for illegal benefits.

*Source: Vietnam News*

## Investment

### Foreign investors refind confidence

Although VN's real estate market has experienced a slowdown over recent years, the overall sentiment among int'l investors seems to have recovered.

Israeli billionaire Igal Ahouvi recently kicked off his first project in VN, a \$300 million resort in central province Khanh Hoa after several visits to VN.

Meanwhile Walton Int'l Group's representatives also visited Hanoi to look for opportunity to develop real estate projects. According to Walton's marketing director Christopher Koh, real estate in VN still was on the radar. Koh expressed his interest in neighbourhoods lying just outside the city centre.

According to Mauro Gasparotti, executive director of real estate consultancy firm Alternaty VN, there is a growing interest specifically towards VN esp within the commercial sector and for income producing properties. There are tangibles signs of increased confidence among int'l investors regarding the real estate market in VN.

A large number of investment funds and private companies were searching for deals over the past few years with limited results due to discrepancies on

land value and achievable returns on investments. Investor interest dried up in 2012 and the first half of 2013 when the financial situation was unstable and the future outlook seemed bleak. Investors were increasingly focused on alternative investment destinations such as Myanmar and Indonesia, he added.

However, Gasparotti noted that over the past few months, as the financial situation seems to have stabilised with inflation brought under control, interest from these groups has returned because VN offers more value oriented opportunities. At the same time, the opportunities in competing markets in South East Asia seem to be diminishing.

According to Rudolf Hever, another executive director of Alternaty, there were fundamental changes and game changing trends occurring right now in the region. "Those who will prosper over the next decade will be who recognise and embrace the opportunities that are emerging," Hever noted.

The rapid rise of the middle class in Asia is only just beginning and is led by China. This will continue into the foreseeable future with countries such as Indonesia and VN. "This segment will have a strong appetite to travel abroad, and their target destinations, one of which is

clearly VN, will surely feel their impact, ready or not. One only needs to look at markets such as Phuket and Pattaya, to understand the vast scale and power of this new demographic."

VN is now well placed to capitalise on these new trends and we are seeing more and more investors that are anticipating and looking to capture the opportunities that are emerging.

A few problems remain but Vn is in much better shape than just a couple of years ago. Inflation is down, economic growth is stable and slowly ticking upwards, FDI is up, interest rates have come a long way down and the dong has remained remarkably stable over recent few years.

"The local developers and land owners have been through tough times, but they are now finding increasing reasons for optimism," he added.

*Source: Vietnam Investment Review*

### **Bridgestone to pump \$1.2b into VN**

Japan's Bridgestone Corporation, the world's largest rubber and tyre manufacturer, last week received an investment certificate for doubling its total investment in VN from \$575m to \$1.22b in Dinh Vu Industrial Zone, Haiphong.

Given that the plant is still under construction, the investment increase shows the company's great confidence in VN. Once completed the plant will be the largest car tyre manufacturer in VN.

Bridgestone was licensed in Feb 2012 and said that it chose VN based on a variety of factors including infrastructure, location, workforce, and cost.

"Our investment increase is in-line with the rising demand for tyres worldwide," Bridgestone noted in a release. The plant is expected to have an output of 24,000 tyres per day by the 2<sup>nd</sup> half of 2017 & 49,000 tyres after the expansion.

The plant is scheduled to begin operations in Mar 2014 and will serve as an export base for passenger car radial general-purpose tyres to the European, North American, and Japanese markets. Bridgestone is the 2<sup>nd</sup> foreign company to build a radial tyre factory in VN. In 2008 South Korea's Kumho Tyres opened a \$200m facility in Binh Duong province. Last year Kumho announced it would put another \$100m into its factory to increase output from 3.15 to 5.6 million unit per year. The increase brought the company's total investment in the project to \$300m.

*Source: Vietnam Investment Review*

## Market

### Logistics market: the battle between David and Goliath

Foreign investors geared up to prepare for VN logistics market opening in 2014.

VN logistics market has warmed up recently with the \$13m investment deal by DHL Supply Chain. The company has put the 2<sup>nd</sup> distribution center, covering an area of 10,000 m<sup>2</sup> in Bac Ninh into operation. This is a part of its investment expansion plan in the north of VN. With this deal, DHL will expand its warehouse from 91,000 to 141,000 m<sup>2</sup> and develop the fleet to 100 vehicles by 2015.

A senior executive of DHL said it targets the retailing, consumer goods, technology and automobile sectors in VN, which are forecast to develop strongly in some more years.

According to Ministry of Industry and Trade, logistics services make up 15-20% of GDP, while the industry has been growing steadily by 25% per annum. VN is a vast logistics market with the turnover of \$12b, of which the transportation, the most important link of the logistics chain, makes up 40-60%.

VN is a newly emerging market, so the demand for logistics outsourcing increase rapidly. This explains why a lot

of big logistics firms such as Maersk Logistics, APL, NYK, MOL come to VN. Besides, after WTO, VN has been chosen by a lot of big manufacturers to set up production bases.

Analysts have noted that VN has far lagged behind the other countries in approaching logistics technologies. While foreign logistics firms now apply 4PL (fourth-party logistics) service already, domestic firms still can provide simple services.

They transport and forward goods by land, inform to clients about the transportation process on behalf of the shipping agents, or collect fees on behalf of shipping agents.

Since VN logistics firms can only undertake several works in the supply chain, they cannot compete with foreign firms in the home market. As a result, domestic firms have been competing with each other to scramble for clients by lowering fees, which has benefited foreign firms.

Obviously, int'l logistics firms are superior in the domestic market. But the analysts said domestic firms still have their own advantages. Most of the warehouses have been possessed by VN firms, which means that foreign firms have to lease warehouses or join forces with VN firms

to provide logistics services. VN enterprises also better understand the market, clients, geography, weather and culture than foreign firms. Some VN logistics firms can compete well with foreign ones. Vinafco, for example, has defeated its rivals to obtain the right to provide services to Akzo Nobel, American Standard, or Vifon. ICD Tan Cang Song Than, with the 3PL distribution center, won the bids to provide package service to the US Kimberly Clark.

*Source: Vietnam News Agency*

### **VND30 trillion bailout won't rescue real estate market?**

Ministry of Construction (MIC) and SBV both have loosened requirements on borrowers in an effort to speed up the disbursement. However, the power is in the hands of commercial banks.

### **Lending program opens to more subjects**

MIC and SBV have once again taken actions to accelerate the disbursement of the VND30 trillion bailout so as to rescue the real estate market. 70% of the bailout was initially planned to be lent to buyers and the other 30% to real estate developers.

But with limited subjects and complicated procedures, the disbursement went so slowly that the watchdog agencies felt impatient.

4 months later, by Sept 30, the bailout was launched, commercial banks had disbursed VND142.5b to 590 individual clients and VND54.8b to real estate firms.

Hanoi People's Committee then planned to propose PM and relevant ministries to give the opportunities of buying houses under the VND30 trillion program to more subjects.

Meanwhile, Tran Dinh Cuong, Deputy Director of SBV's HCMC branch, said by Oct 15, only 179 individual clients had obtained the loans at the interest rate of 6% per annum, while no business had got the loans under the program.

Ministry of Construction, which is in charge of the disbursement of the credit package, on Nov 7, released a circular, under which more people are subject to the preferential loan program.

#### **SBV and MOC powerless?**

Despite SBV and MOC's big efforts, analysts still keep doubts about the effects of new decisions. MOC says the biggest reason is that they have to prove their ability to pay debts; while SBV believes that the problem lies in the complicated procedures to re-register

their projects as the poor's housing projects instead of commercial housing.

On Nov 7, 2013, SBV sent a dispatch to Agribank, BIDV, Vietcombank, VietinBank and MHB, the banks in which the State holds the controlling stakes, urging them to speed up the disbursement.

Analysts have noted that while SBV and MOC can set up the requirements on the borrowers, only commercial banks can decide whether to disburse money.

#### **VND30 trillion package helpless?**

Dr. Pham Sy Liem, former Deputy Minister of Construction, now Secretary General of the Vietnam Construction Federation, said it is a blunder to spend VND30 trillion on the housing program for the poor.

Liem said the government should have focused on the development of popular houses and driven the VND30 trillion into the sector. "Popular houses" should be understood as the houses for the people with medium incomes, who have to pay 30% of their total income a month for the house purchase.

Nguyen Van Duc, Deputy Director of Dat Lanh Company, also thinks Vietnam has failed to rescue the real estate market with the VND30 trillion bailout.

*Source: Vietnamnet*



## Legal Updates

### Rules on safe check for imported foods

Circular No. 28/2013/TT-BCT dated Nov 06, 2013 of Ministry of Industry and Trade providing for state inspection of foodstuff safety for import foodstuff under the management responsibility of the ministry of industry and trade.

This Circular provides methods, contents, orders and procedures for public inspection (enclosed form) on food safety for imported goods including wine, beer, soft drink, processing milk, vegetable oil, flour processing product, starch, cake, jam, candy and packaging of containing these products. Accordingly, the above-named food is only circulated and consumed in VN after the state inspection agency grants the announcement of satisfactory imported food or the announcement of preliminary checked foods.

However, food shall be exempted from inspection in the following cases:

- a) Carried along with entry person for private consumption in the duty-free allowance;
- b) In diplomatic bags, consular bags;
- c) Transited or transshipped food;
- d) Bonded warehouses food;

- e) The model for trial or research;
- f) The model for trade fair, exhibition.

Circular takes effect from Dec 12, 2013.

Source: Vietnam Law

### Amended import law assuages auto importers

Ministry of Finance (MoF) and General Department of Customs have come to an agreement to amend a law requiring auto importers to store vehicles in the departments' facilities rather than their own during the customs process.

This takes effect from Nov 1, requiring car imports to remain at customs' authority warehouses until procedures were complete. This met criticism from the industry as it would require importers to pay extra storage fees & suffer other financial consequences from delays.

After an appeal to MoF by the General Department of Customs, last week the authority changed the decision, allowing importers to return to the old process.

Source: Vietnam Investment Review